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FISCAL IMPACT STATEMENT

LS 6388

BILL NUMBER: SB 111

NOTE PREPARED: Jan 16, 2014

BILL AMENDED: Jan 16, 2014

SUBJECT: Soil Productivity Factors.

FIRST AUTHOR: Sen. Leising

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill provides that the soil productivity factors used for the March 1, 2011, assessment of agricultural land must be used for the March 1, 2014, assessment date. It specifies that new soil productivity factors shall be used for assessment dates occurring after March 1, 2014.

Effective Date: January 1, 2014 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary* - Under this bill, the current soil productivity factors would remain in place for property taxes payable in 2015, and updated soil productivity factors would not be used until 2015 assessments for taxes payable in 2016. The small tax shift from all property types to farmland that will result from the use of the new factors would be delayed by one year as would the small reduction in circuit breaker losses and the small reduction in TIF proceeds that would otherwise occur.

Additional Information - Each farmland assessment begins with the base value per acre, which is \$1,760 for taxes payable in 2014. The base value is then adjusted by the soil productivity factor and influence factors to calculate the assessed value for a particular parcel. Each parcel may have multiple soil types.

In February 2012, the DLGF released updated soil productivity factors for use in farmland assessments beginning with the 2012 Pay 2013 tax year. These factors would have caused an estimated 25.5% increase in farmland assessments.

Under SEA 19 (2012), the implementation of the updated factors was delayed from 2013 taxes until taxes payable in 2014.

Under SEA 319 (2013), the implementation of updated factors was delayed by an additional year until taxes payable in 2015. This act also required the DLGF to work with the Purdue University College of Agriculture to develop new soil productivity factors.

During the 2013 interim, the DLGF presented draft soil productivity factors developed in conjunction with Purdue University. An LSA analysis of these draft factors suggested that the statewide weighted average factor would be 1.006. This is an average 5.9% increase from the statewide weighted average of the current factors, which is 0.951.

If implemented, the draft factors would increase the statewide total farmland assessed value (AV) by 5.9%. As a result of the farmland AV increase, some tax rates will be reduced. The lower tax rates will cause a small reduction in net tax bills for all other property types and a small reduction in circuit breaker losses for civil taxing units and school corporations. In addition, the lower tax rates will cause a small reduction in TIF proceeds.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; Civil taxing units and school corporations.

Information Sources: LSA parcel-level property tax database; Micah Vincent, Department of Local Government Finance, 317-232-3777.

Fiscal Analyst: Bob Sigalow, 317-232-9859.